

**BAWAG P.S.K. posts Strong Results from the ECB Comprehensive Assessment Review**

- ECB asset quality review adjustment of only 21bps
- All CET1 ratios significantly above EBA hurdle rates
- Successfully passed EBA stress test
- Starting with BAWAG P.S.K.'s CET1 ratio at year end 2013 of 14.51%<sup>1</sup>:
  - Baseline scenario CET1 ratio of 11.86% at year end 2016 (nearly 50% above the minimum)
  - Adverse scenario CET1 ratio of 8.54% at year end 2016 (more than 55% above the minimum)

**Vienna, Austria – October 26, 2014** – ECB today disclosed the results of its comprehensive assessment of 130 European banks, among them six Austrian banks including BAWAG P.S.K. The comprehensive assessment was a combination of a thorough Asset Quality Review (AQR) and an extensive stress test exercise.

The results released specific to BAWAG P.S.K. reinforce our low risk balance sheet comprised of high quality assets and the accuracy in our accounting methods around both provisioning and collateral valuation. Our CET1 ratio at year- end 2013 was 14.51%<sup>1</sup> and the adjustment from our AQR assessment was only 21bps to 14.30%.

In addition, BAWAG P.S.K. was highly successful in passing the EBA's stress test with CET1 ratios of 11.86% for the baseline scenario and 8.54% for the adverse scenario, both approximately 50% higher than the minimum targets set out by the ECB of 8.0% and 5.5% respectively.

The positive results reinforce the significant progress made in reshaping our business over the last three years. The business transformation was based on the following key pillars:

- **Strong Capital position:** by consistently executing on our capital plans we have significantly strengthened our capital position. This was a result of improving the overall quality of our capital base, allocating capital to our core businesses, exiting non-core businesses and deleveraging non-core assets. As a result, the Bank has successfully eliminated all non-sustainable capital elements, such as the full redemption of the participation capital and all non-sustainable hybrid instruments. Our strategy has been supported by various capital injections by our shareholders and successful Tier 2-issues. As of 30<sup>th</sup> September 2014, our fully loaded CET1 ratio (including interim profits) was 11.5% and our fully loaded Total Capital Ratio (including interim profits) was 15.3%.

<sup>1</sup> CET ratio acc. to CRDIV/CRR definition with national transitional arrangements as of 1.1.2014

- **Proactive risk management:** we have successfully reduced risk costs over the last few years. We continue to reposition our balance sheet by focusing on core markets while de-risking non-core assets, products and exiting non-core geographies such as the CEE. As a result our portfolio is more stable with less risk, resulting in a continued downward trend in our risk costs.
- **Reshaped cost base:** the Bank has focused on right-sizing the cost base to reflect it's simplified and focused business model while delivering long-term sustainable profitability in a challenging macroeconomic environment. We are on track to reduce our total cost base by over EUR 181 million (or greater than 26%) from EUR 681 million in 2013 to a target of less than EUR 500 million by year-end 2014.

**Byron Haynes, CEO of BAWAG P.S.K.** commented: *“Considering the highly favourable AQR and stress test results for BAWAG P.S.K., we can justifiably look back on a comprehensive, ambitious and successful transformation process of our Bank over the last years which we continued in 2014. We are proud of our accomplishments and will continue to focus on a capital efficient, low risk and low leverage business model. Delivering competitive, transparent and simple products and services to our customers will remain the core of our strategy.”*

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